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BEST PACIFIC RESOURCES

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Annual
Report

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Annual Meeting

The annual meeting of common shareholders of Best Pacific Resources Ltd. will be held at the Calgary Petroleum Club, Cardium Room, 319 - 5th Avenue S.W. on June 13th, 1995, at 3:00 p.m. Shareholders are encouraged to attend; those unable to do so are requested to complete, sign and return the enclosed proxy form to Best Pacific.

**PRESIDENT'S
MESSAGE**

On behalf of the Board of Directors I am pleased to present, to the shareholders, the Company's 1994 Annual Report.

1994 was Best Pacific's third year of operations as a junior oil and gas company. The Company's working interests in its Alberta and Saskatchewan properties range from 3.375% to 45%. A total of 6 horizontal wells and 6 vertical wells were drilled by project participants. Production has grown from 124 barrels of oil per day at the end of 1993 to 270 barrels of oil per day in December, 1994.

In southeastern Saskatchewan, the Company participated in 6 horizontal wells and doubled its working interest in Midale South Voluntary Unit #2 to 23.2%, consistent with its intent to partake in a larger share of joint ventures.

In southern Alberta, a previously suspended oil field was re-activated in the Little Bow area. An opportunity was recognized by Best Pacific to develop new wells and a waterflood. This project initially contributed 150 barrels of oil per day to the Company's production.

Wallace King joined Best Pacific as Vice President of Exploration and Steven Kirk, C.A., joined as Controller/Treasurer, strengthening the Company in its active program of property acquisitions. Their extensive experience in the oil and gas industry will enhance the Company's ability to identify and manage properties with proven reserves and significant upside potential.

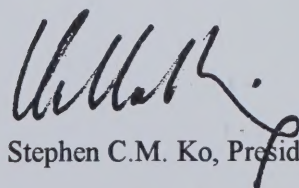
Looking to the future, the Company's strategy is to remain focused on seeking opportunities in western Canada where the Company can participate in joint ventures and acquisitions, at moderate cost, in properties where its technologies can add value. This strategy has worked well in past joint ventures with Grad & Walker Energy Corporation in southeastern Saskatchewan and with The Rimoil Corporation at Little Bow.

During 1992, the Company launched an immigration fund through a wholly-owned subsidiary. The fund is being marketed primarily in Taiwan and Hong Kong, with considerable success. By March, 1995, 36 out of 40 potential subscribers had committed a total of \$9,000,000, with a strong likelihood the fund will be fully subscribed at \$10,000,000. Portions of the fund become progressively available to Best Pacific as visa applications are approved. Currently, the Company has \$2,150,000 at its disposal for oil and gas acquisitions. In 1994, \$1,100,000 from the fund were used to re-activate the Little Bow pool.

Gas prices have collapsed from their 1994 highs, reducing cashflow and capital budgets in many companies. This has created opportunities for Best Pacific to participate in joint ventures and acquisitions. In a market where financing can be very difficult to obtain for small companies, the immigration fund provides an excellent vehicle for Best Pacific to seize opportunities.

I would like to thank our shareholders for their support of the Company. In addition, I thank the Board of Directors and the staff of Best Pacific. Our success, as always, is dependent on their diligence, talent and effort.

Respectfully submitted on behalf of the Board of Directors.



Stephen C.M. Ko, President

CORPORATE

To be successful in a highly competitive industry and position itself to grow into the future, a corporation must be able to manage and safeguard its assets. During 1994 and into 1995, Best Pacific has recruited two individuals for its management team, Mr. Wallace G. W. King, Vice President of Exploration, and Mr. Steven D. Kirk, Controller/Treasurer. The additional team members are qualified and motivated to accept the challenge of building a successful, growth oriented oil and gas company. Working under the guidance of a strong Board of Directors, the initial foundation of the management team is firmly in place.

IMMIGRATION FUND

On August 8, 1992, Best Pacific launched an immigration fund under the Immigration Investor Program of the Federal Government. The fund provides a vehicle for potential immigrants to obtain landed immigrant status, in exchange for an investment of \$250,000 in an eligible fund. Under Best Pacific's offering memorandum, which is used to market the fund, the Company can accommodate forty individual subscribers. Therefore, the maximum amount that can be raised by the Company is \$10,000,000.

Currently, the Company has 36 signed subscription agreements in place. Many of these individuals are in the process of obtaining visa approval. Once approval has been granted, the Company receives the funds from escrow. Financing from this source has resulted in the release of \$3,750,000 to date, with another \$5,250,000 expected through 1995 as visa approvals are obtained.

In exchange for their investment in Best Pacific, subscribers to the fund receive a 5 percent convertible debenture, interest payable semi-annually. Repayment of the debenture occurs when the individuals' funds have been invested continuously for a period of five years. Conversion to equity at market price is available at the option of the debenture holder only, but is not permissible until the fourth year of the hold period. Regardless, any conversion is subject to the minimum five year hold period.

Proceeds from the fund must be used by the Company in the province of Alberta. Accordingly, Best Pacific has focused its acquisition and development program in Alberta. Little Bow, in southern Alberta, was an ideal candidate for the fund because of its low risk and potential upside development. As of the end of 1994, Best Pacific expended \$1,100,000 from the fund to reactivate and develop this previously suspended oilfield.

FINANCIAL RESULTS

Cash flow from operations increased to \$385,063 or 4.4 cents per share in 1994. The increase is a dramatic improvement from 1993, when cash flow from operations was a deficit of \$8,285, or \$0.001 per share. At the same time, revenue, net of royalties, increased 178% to \$1,092,139 from \$393,205. As a result of increased production and improved oil prices, the Company generated net income of \$41,639 or \$0.005 per share compared to a loss of \$104,109 or \$0.013 per share in 1993.

Production expenses remained virtually unchanged from 1993. On a per barrel basis, the cost increased to \$6.34/bbl from \$6.25/bbl in 1993. However, the netback per barrel before G&A, interest and non-cash charges, increased to \$10.44/bbl from \$8.04/bbl in 1993. The gain reflects increased production in the second half of the year, combined with higher commodity prices.

General and administrative costs increased modestly in 1994 to \$179,916 from \$160,258, a 12 percent increase. However, this actually represents a significant decrease from \$5.61/bbl in 1993 to \$2.59/bbl in 1994. Part of Best Pacific's overall strategy is to maintain tight control over G&A costs as its production increases in the future.

Interest expense increased from \$81,555 in 1993 to \$172,528 in 1994, primarily due to the addition of charges related to the immigration fund. While overall interest expense rose, the effective rate decreased from 15% in 1993 to 9.5% in 1994. In November of 1994, the Company repaid \$252,500 of the \$535,000 debenture issued in 1992. The repayment of the debenture, combined with the immigration fund's low interest rate, lowered the effective interest rate. In addition, interest expense is offset by interest income of \$88,372.

COMPARATIVE FINANCIAL HIGHLIGHTS

Year Ended December 31	1994	1993	1992
Revenue (\$)	1,180,511	407,827	242,961
Cash Flow (\$)	385,063	(8,285)	84,409
Cash Flow per Share (\$)	0.044	(0.001)	0.017
Outstanding Shares	9,304,846	8,529,846	5,643,180
Capital Additions (\$)	2,256,881	1,611,053	902,576
Average Oil Price (\$/Bbl)	18.96	17.95	21.63
Operating Cost (\$/Bbl)	6.34	6.25	7.32

OPERATIONS

ALBERTA

Little Bow

Best Pacific's main producing area is Little Bow, located in southern Alberta. The Company earned a 45 percent interest in the area through a farm-in agreement with The Rimoil Corporation. Under the terms of the agreement, Best Pacific paid 100 percent of the cost to drill one development well, in order to earn a 45 percent interest in the entire field. The well was completed in early August with an initial production rate of 315 barrels of oil per day (142 net to the Company). This initial production, combined with the reactivation of the previously suspended field, allowed Best Pacific to reach a production high of 300 barrels of oil per day in September of 1994. In the fourth quarter of 1994, two additional wells were drilled. One was converted to a water source well and the other is a suspended gas well in the Sunburst formation. The waterflood program has been expanded to add one more water injector in a separate pool and all previously suspended wells are back on production after various workovers. Net production to the Company from the field has averaged 136 barrels of oil per day since the earning well came on production in August.

SASKATCHEWAN

Arcola, Handsworth, Macoun and North Handsworth

Best Pacific entered into a joint venture with Grad & Walker Energy Corporation in March of 1993 to implement a development scheme for these four properties. Best Pacific has working interests ranging from 3.375% to 6.75% in the four properties. The production enhancement program required the drilling of ten horizontal wells, of which seven were drilled in 1993 and three were drilled in 1994. In addition, waterflood programs have been implemented in the Macoun and Handsworth areas to maintain reservoir pressure.

In 1994, two horizontal wells drilled at Arcola tripled the oil production to 34 barrels of oil per day net to the Company from 12 barrels of oil per day. The combined production from the four properties averaged 70 barrels of oil per day in 1994, compared to a 1993 average of 42 barrels.

A seismic program conducted on the Macoun and North Handsworth lands acquired in 1994 has identified several potential drilling locations to extend the pool in the future.

Midale South Voluntary Unit #2

In August, Best Pacific doubled its working interest in this unit to 23.198% by issuing 675,000 shares at \$0.55 per share to Energy Capital Development Limited Partnership. The additional interest was obtained because Best Pacific believes the waterflood program being implemented will continue to improve the production from the field. In the first half of 1994, the Company's interest represented 30 barrels of oil per day, while in the second half of 1994, the same interest averaged 37 barrels per day.

Ingoldsby

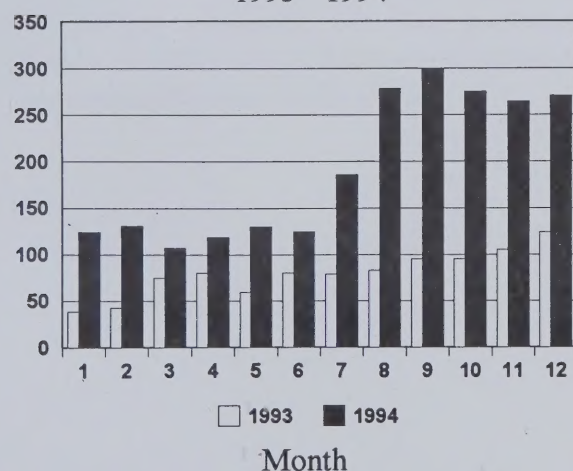
During the year, Best Pacific participated in the drilling of three horizontal wells in this area, with working interests ranging from 11% to 20%. Two of the wells were drilled at significantly reduced costs as a result of re-entering a vertical well and drilling two horizontal legs. Production at the end of the year was 15 barrels of oil per day net to the Company from the three wells. Due to the high water production from the reservoir, water disposal and battery facilities were constructed in order to reduce operating costs.

1994 RESERVE AND PRODUCTION SUMMARY

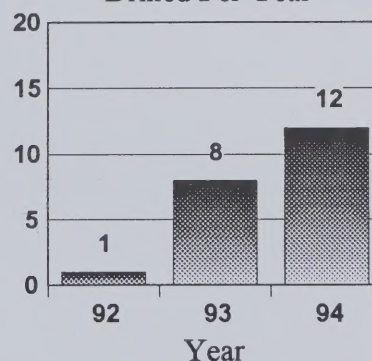
	Working Interest (%)	Proven Net Oil Reserves (Mstb)	1994 Production at December (BOPD)	Average (BOPD)
Rycroft	25 - 50	51	24	23
Little Bow	45	269	119	81
Ingoldsby	11 - 20	56	15	9
Southwest Midale	23.198	472	37	23
Handsworth	6.75	31	5	8
North Handsworth	6.75	145	20	22
Macoun	6.75	92	13	16
Arcola	3.375	41	29	22
TOTALS		1,168	270	190[†]

[†] Note: Ingoldsby and Little Bow production is based on a period less than one year; total will not add. Total average is based on actual monthly production.

**Average Barrels of Oil Per Day Comparison
1993 - 1994**



**Number of Wells
Drilled Per Year**



**MANAGEMENT'S
DISCUSSION**

OUTLOOK

We, at Best Pacific, are very optimistic about the future growth potential of the Company. As a junior oil and gas company competing in an equity market that has all but abandoned companies of comparable size, our unique source of financing puts us in an enviable position. While maintaining its bias to oil, Best Pacific will continue to look for good investments in gas properties to obtain a better production and reserves balance.

During the upcoming year, as subscribers to our immigration fund are granted approval for visas, the Company can expect to receive upwards of \$6,000,000 of low interest financing from this source. When combined with the \$2,150,000 already in treasury, Best Pacific is well positioned to grow in 1995.

MANAGEMENT TEAM

MANAGEMENT'S DISCUSSION

Stephen C. M. Ko, President

Best Pacific was founded in 1992 by Stephen Ko. Mr. Ko, a reservoir engineer with over 21 years of diversified experience, is a pioneer in the application of horizontal drilling and enhanced oil recovery techniques to reservoir exploitation. He has developed, through years of engineering practice, a proven method of identifying prospects and has an impressive record of success in the application of his techniques.

His post secondary education was at the University of Calgary, where he obtained his Bachelor of Science and Master of Science degrees and won the Gold Medal of the Alberta Professional Engineers, Geologists and Geophysicists Association. These academic and technical achievements have been enhanced by a number of significant innovations which have increased the productivity of oil and gas reservoirs in field applications. He has written or co-authored 17 technical papers and has worldwide oil and gas experience.

Wallace G. W. King, Vice-President of Exploration

Mr. King joined the management team in March of 1995 from Numac Energy Inc. He brings to Best Pacific over seventeen years of diverse exploratory and development experience, with a proven track record for oil finds. A native of Tuktoyaktuk, N.W.T., Mr. King graduated from the University of Calgary with a Bachelor of Science degree in Geology in 1977. In addition, he obtained his Certificate in Business Management from the Calgary Board of Education in 1992.

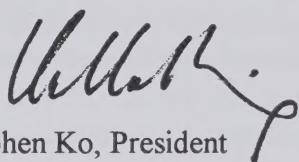
Steven D. Kirk, Controller/Treasurer

Mr. Kirk has been with the Company in the position of Controller/Treasurer since May of 1994. Before joining Best Pacific, Mr. Kirk was with Deloitte & Touche, Chartered Accountants. While at Deloitte & Touche, he obtained a wide range of experience in owner-managed enterprises, as well as small to medium sized public oil and gas companies. Mr. Kirk graduated from the University of Nevada, Las Vegas in 1986, with a Bachelor of Commerce degree and obtained his chartered accountant designation in 1992.

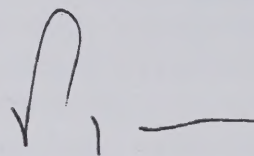
**MANAGEMENT'S
REPORT**

The financial statements contained within this annual report were prepared by management in accordance with generally accepted accounting principles. The financial and operating information presented in this report is consistent with that presented in the statements.

External auditors appointed by the shareholders have examined these financial statements. The Audit Committee of the Company, consisting of three non-management directors, reviewed the financial statements. The Audit Committee has reported its findings to the Board of Directors, which has approved the financial statements.



Stephen Ko, President



Lawrence Payne, Chairman

**AUDITORS'
REPORT**

To the Shareholders of **Best Pacific Resources Ltd.**:

We have audited the consolidated balance sheets of **Best Pacific Resources Ltd.** as at December 31, 1994 and 1993 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

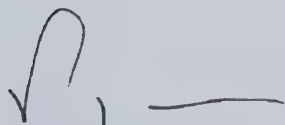
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Best Pacific Resources Ltd.**Consolidated Statements of Operations and Deficit**

For The Years Ended December 31, 1994 and 1993


**CONSOLIDATED
STATEMENTS
OF
OPERATIONS
AND
DEFICIT**

	1994	1993
	\$	\$
Revenue		
Oil and natural gas sales, net of royalties	1,092,139	393,205
Interest	88,372	14,622
	1,180,511	407,827
Expenses		
Operating	449,023	178,312
Administration	179,916	160,258
Interest	172,528	81,555
Site restoration and abandonment	25,173	12,541
Depletion, depreciation and amortization	312,232	138,591
	1,138,872	571,257
Earnings (loss) before income taxes	41,639	(163,430)
Deferred income tax recovery (Note 7)	-	(59,321)
NET EARNINGS (LOSS)	41,639	(104,109)
Deficit, (retained earnings), beginning of year	95,894	(8,215)
Deficit, end of year	54,255	95,894
Net earnings (loss) per share (Note 1)	0.005	(0.013)

Signed on Behalf of the Board

Lawrence Payne

Director and Chairman of the Board



Donald Seaman

Director and Chairman of the Audit Committee

**CONSOLIDATED
BALANCE
SHEETS**

**Best Pacific Resources Ltd.
Consolidated Balance Sheets
As At December 31, 1994 and 1993**

	1994	1993
	\$	\$
ASSETS		
Current Assets		
Cash and short term deposits (Note 2)	1,926,208	217,503
Accounts receivable	329,658	300,257
	2,255,866	517,760
Property and equipment (Note 3)	4,304,338	2,303,476
Other assets (Note 4)	390,719	121,430
	6,950,923	2,942,666
LIABILITIES		
Current Liabilities		
Bank Overdraft (Note 5)	268,347	-
Accounts payable and accrued liabilities	308,727	270,398
Current portion of long-term debt (Note 6)	261,482	252,500
	838,556	522,898
Long-term debt (Note 6)	3,515,000	270,463
Provision for site restoration and abandonment	41,547	16,374
Deferred income taxes (Note 7)	457,640	457,640
	4,852,743	1,267,375
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
Authorized		
Unlimited number of common shares of no par value		
Issued		
9,304,846 common shares (1993 - 8,529,846)	2,152,435	1,771,185
Deficit	(54,255)	(95,894)
	2,098,180	1,675,291
	6,950,923	2,942,666

Best Pacific Resources Ltd.**Consolidated Statements of Changes in Financial Position**

For The Years Ended December 31, 1994 and 1993

	1994	1993
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings (loss)	41,639	(104,109)
Items not affecting cash		
Depletion and depreciation	312,232	138,591
Site restoration and abandonment	25,173	12,541
Amortization of debenture discount	6,019	4,013
Deferred income taxes	-	(59,321)
Funds from operations	385,063	(8,285)
Changes in non-cash operating working capital items	8,928	(62,578)
	393,991	(70,863)
Financing		
Issuance of convertible debentures	3,500,000	-
Issuance of common shares	381,250	1,360,978
Repayment of fixed rate debentures	(252,500)	-
Financing costs on convertible debentures	(325,502)	(90,094)
	3,303,248	1,270,884
Investing		
Additions to property and equipment	(2,256,881)	(1,611,053)
	(2,256,881)	(1,611,053)
NET CASH (OUTFLOW) INFLOW	1,440,358	(411,032)
Cash position, beginning of year	217,503	628,535
Cash position, end of year	1,657,861	217,503
Funds from operations per share	0.044	(0.001)
Represented by:		
Cash and short-term deposits	1,926,208	217,503
Bank overdraft	(268,347)	-
	1,657,861	217,503

**CONSOLIDATED
STATEMENTS
OF
CHANGES
IN
FINANCIAL
POSITION**

1. SIGNIFICANT ACCOUNTING POLICIES

INCORPORATION

The Company was incorporated on September 20, 1989 under the provisions of the Business Corporation Act (Alberta). By Article of Amendment dated October 30, 1991, the Company changed its name from Crazy Curry Inc. to Best Pacific Resources Ltd. By shareholder approval of the acquisition of certain oil and gas properties, the Company commenced oil and gas operations on April 1, 1992.

CONSOLIDATION

The consolidated financial statements include the accounts of Best Pacific Resources Ltd. and its subsidiaries, all of which are wholly owned ("the Company"). Certain of the Company's exploration, development and production activities are conducted jointly with others, and, accordingly, the accounts include only the Company's proportionate interest in such activities.

PROPERTIES AND EQUIPMENT

(a) Capitalized Costs

The Company follows the full cost method of accounting for oil and gas activities, whereby all costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on unproved properties, the costs of drilling both productive and non-productive wells, and that portion of administrative expenses applicable to those activities.

Proceeds from the disposal of properties are normally applied as a reduction of the costs, unless a significant disposal occurs, in which case a gain or loss is recorded.

(b) Depletion and Depreciation

Depletion of oil and gas properties and depreciation of production equipment is provided using the unit of production method based on estimated proved oil and gas reserves as determined by Company reservoir engineers. The relative volumes of oil and gas reserves and production are converted to a common unit of measure on the basis of relative energy content.

(c) Future Site Restoration and Abandonment

The estimated costs for future site restoration and abandonment are provided on the unit of production method based on estimated costs and regulations in effect at year end.

(d) Ceiling Test

The Company applies an annual ceiling test to capitalized costs to insure that such costs do not exceed the estimated value of future net revenues from the production of proved oil and gas reserves, less future development costs and administrative, financing, site restoration and abandonment and income tax expenses. The ceiling test was applied using oil and gas prices of \$21.48 per barrel and \$1.40 per MCF respectively, which were the prices in effect on April 19, 1995 being the date of completion of the consolidated financial statements. As a result, there was no impairment of oil and gas properties. If oil and natural gas prices at December 31, 1994 of \$20.44 per barrel and of \$1.60 per MCF had been used in the ceiling test calculation, an impairment provision of \$332,000 would have been required.

FLOW-THROUGH SHARES

The Company has financed a part of its exploration and development activities through the issuance of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to the subscribers. Accordingly, share capital has been reduced and deferred income taxes increased by the estimated amount of future income taxes payable by the Company related to these transactions.

NET EARNINGS (LOSS) PER SHARE

Net earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted net loss per share is not shown since the exercise of the share options and the conversion of the Immigration Fund Debentures would be anti-dilutive.

AMORTIZATION OF FINANCING COSTS

Financing costs related to the Immigration Investor Program are being capitalized and amortized over a five year period on a straight-line basis.

2. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the amount of \$1,926,108 at December 31, 1994 must be used to invest in commercial ventures or appropriate financial instruments in the province of Alberta, with primary emphasis on the petroleum industry. This restriction is a requirement of the Immigration Investor Program through which these funds have been obtained.

3. PROPERTY AND EQUIPMENT

	1994	1993
	\$	\$
Oil and gas property and equipment	4,771,310	2,514,429
Less: accumulated depletion and depreciation	466,972	210,953
	4,304,338	2,303,476

The Company capitalized, as part of oil and gas property and equipment, administration expenses of \$63,000 (1993 - \$84,510) related to exploration and development activities.

As a result of issuing flow-through shares, the Company has assets of \$1,303,979 (1993 - \$620,553) without tax basis.

4. OTHER ASSETS

	1994	1993
	\$	\$
Deferred financing cost	-	4,613
Financing costs	390,719	116,817
	390,719	121,430

The depletion, depreciation and amortization expense for the year includes \$51,600 (1993 - Nil) which relates to amortization of financing costs (See Note 6).

5. BANK INDEBTEDNESS

The Company has a bank line of credit of \$500,000 secured by a fixed and floating charge debenture. As at December 31, 1994, this facility had been drawn down by \$268,347, leaving \$231,653 available for future operations.

6. LONG-TERM DEBT

	1994	1993
	\$	\$
Fixed rate debentures	276,482	522,963
Immigration fund convertible debentures	3,500,000	-
	3,776,482	522,963
Less current portion	261,482	252,500
	3,515,000	270,463

FIXED RATE DEBENTURES

Under a private placement memorandum dated July 24, 1992, the Company issued a total of \$535,000 (before a discount of \$16,050) face value of fixed rate debentures for net proceeds of

6. LONG-TERM DEBT (continued)

\$518,950. As of December 31, 1994 the unamortized portion of the debenture discount is \$6,018 (1993 - \$12,037). During 1994, \$252,500 was repaid by the Company.

Interest is payable on the debentures at an initial rate of 13% per annum, increasing by 1% each year over the three year term. An annual cash bonus is payable to debenture holders under certain circumstances based on increases in the price of oil over a specified bench mark. The debentures are repayable as follows:

1995	\$ 267,500
1996	\$ 15,000

The debentures are secured by a first charge against the interest in any property acquired or developed by the Company using the proceeds of the debenture issue.

IMMIGRATION FUND CONVERTIBLE DEBENTURES

Under the provisions of the Immigrant Investor Program of the Federal Government of Canada, a private placement memorandum dated August 8, 1992 was issued by the Company's subsidiary, Best Pacific Resources (Alberta) Ltd., to issue a minimum of \$1,000,000 (maximum \$10,000,000) of debentures of this company with a subscription price of \$250,000 per debenture. The offering will terminate June 30, 1995. As of December 31, 1994, fourteen investors have paid the full subscription price of \$250,000, while another fifteen have each contributed \$20,000 as an initial deposit. Additional funds will become available to the Company upon the subscribers, who have made initial deposits, being approved for immigration visas by the Federal Government of Canada.

In accordance with the private placement memorandum prepared by the Company to market the Immigration Fund, convertible debentures in the amount of \$3,500,000 have been issued. Each debenture has a principal amount of \$250,000. The debentures are unsecured and pay interest at a fixed rate of 5% per annum, payable semi-annually. The debentures mature one day after the minimum holding period which is defined as that time when at least seventy percent (70%) of each debenture holder's investment has been invested in an eligible business or commercial venture for a period of five years.

From the fourth year until the expiry of the minimum holding period, the debenture holder has the option to convert all, but only all, of the convertible debenture into common shares of Best Pacific Resources Ltd. at a conversion rate equal to the market price of the common shares less a 10% discount. Upon the expiry of the minimum holding period, the debenture holder will have the right to convert any portion of the debenture into common shares of the Company at a conversion rate equal to the market price of the common shares less a discount of 1 to 10%, depending on the portion of the debenture converted. A debentures is to be repaid in full if the debenture holder elects not to convert.

7. DEFERRED INCOME TAXES

The provision for deferred income taxes differs from the amount computed by applying the combined federal and provincial tax rate of 44.88% to income before taxes. The difference results from the following:

	1994 \$	1993 \$
Computed expected provision (recovery) for deferred income taxes	18,688	(73,347)
Effect on taxes of:		
Non-deductible crown royalties	71,334	18,387
Resource allowance	(75,914)	(4,361)
Loss carryforward	(14,108)	-
Deferred income tax recovery	-	(59,321)

The Company has unutilized non capital loss carryforwards of \$202,500, the benefit of which has not been recognized.

8. SHARE CAPITAL

The Company's authorized share capital was amended on June 28, 1994 to provide for the issuance of an unlimited number of common shares without nominal or par value and the issuance of an unlimited number of preferred shares without nominal or par value, issuable in series.

The following common voting shares have been issued:

	Number of shares	Amount \$
Balance, December 31, 1992	5,643,180	927,169
Issuance of flow-through shares (i)	2,630,000	1,446,500
Issued for oil and gas properties (ii)	83,333	25,000
Issued for legal costs related to flow-through shares (iii)	33,333	10,000
Stock options exercised	140,000	22,000
Share issue cost, net of deferred taxes		(78,558)
Deferred tax effect of flow-through shares		(580,926)
Balance, December 31, 1993	8,529,846	1,771,185
Issued for oil and gas properties (iv)	675,000	371,250
Stock options exercised	100,000	10,000
Balance, December 31, 1994	9,304,846	2,152,435

- (i) In June 1993, the Company issued to the public 2,000,000 flow-through shares at a price of \$0.55 per share and, in addition, through a private placement, 630,000 flow-through shares at a price of \$0.55 per share for a total consideration of \$1,446,500.
- (ii) In June 1993, the Company issued 83,333 shares at \$0.30 per share to a related party as consideration for services provided in relation to a major property acquisition.
- (iii) In June 1993, the Company issued 33,333 shares at \$0.30 per share in consideration for services rendered in relation to the flow-through share offering.
- (iv) In August 1994, the Company issued 675,000 common shares at \$0.55 per share in exchange for an 11.59934% working interest in the Midale South Voluntary Unit #2.

STOCK OPTIONS

The Company has issued a total of 561,500 (1993 - 611,500) stock options to officers and directors to purchase shares. The options were granted at exercise prices between \$0.10 and \$0.62 and expire between November 30, 1996 and December 31, 1999. In addition, under an agency agreement with respect to the issuance of debentures under the Immigration Fund, the Company has granted the agent a stock option for the purchase of 57,870 shares at a price of \$0.27 per share expiring in December 1999.

9. RELATED PARTY TRANSACTIONS

The Company has an agreement with a related company controlled by an officer and director under which that company is to supply administrative support and consulting services. During 1994 a total of \$25,952 (1993 - \$35,803) of office and administration expenses and \$136,922 (1993 - \$176,640) of consulting services were provided by that company. As of December 31, 1994, the related company was owed \$39,674 (1993 - \$105,616) by Best Pacific Resources Ltd.

10. LEASE COMMITMENTS

The Company is committed under non-cancellable operating leases for business premises for \$289,426, including the following amounts, over the next five years:

1995	\$ 22,280
1996	\$ 35,422
1997	\$ 32,960
1998	\$ 38,470
1999	\$ 38,470

NOTES TO FINANCIAL STATEMENTS

**CORPORATE
INFORMATION**

DIRECTORS

Jimmy W. Chow
Stephen C.M. Ko
Lawrence H. Payne
Michael E.D. Raymont
Theodore H. Renner
Donald R. Seaman
William L. Walsh
Glen A. Yeryk

OFFICERS

Stephen C.M. Ko, P. Eng.
President
Wallace G.W. King, P. Geol.
Vice President of Exploration

MANAGEMENT

Steven D. Kirk, C.A.
Controller / Treasurer

SUBSIDIARIES

Best Pacific Resources Management Ltd.
Best Pacific Resources (Alberta) Ltd.

BANKER

Alberta Treasury Branches
Calgary, Alberta

AUDITORS

Deloitte & Touche
Calgary, Alberta

LEGAL COUNSEL

Ogilvie & Company
Calgary, Alberta

**REGISTRAR AND
TRANSFER AGENT**

The R-M Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

The Alberta Stock Exchange
Trading Symbol - BPG

HEAD OFFICE

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